BT's directories enquiry rethink

By Alex Grant

Less than a year after selling its *Yellow Pages* arm to venture capitalists, BT is thinking of going back to publishing ink on paper business directories.

BT sold Yell to two venture capital firms, Apax Partners and Hicks, Muse, Tate and Furst, in 2001 for over $2bn. The sale was part of an ongoing sale of "non-core" activities, which last week saw much of BT's payroll and accounting functions outsourced to Xansa in a £250m deal.

But directories have proven to be more resilient to economic downturn than the telecoms business itself. Yell, which plans to float later this year, saw its UK turnover rise 4.4% in the year to March 30.

This rise was despite a cap on advertising rates imposed by the Office of Fair Trading, and came at a time when most other publishing and telecoms companies saw a fall in sales. This was mainly due to its core *Yellow Pages* brand, which has an 87% share of the UK business directories market.

BT's return to directory publishing is thought to be the idea of Pierre Danon, chief executive of BT Retail and a former chairman of Xerox Europe. BT chairman Sir Christopher Bland is also from a graphics background, having been chairman of printers and publishers Sir Joseph Causton and Sons from 1977 to 1985.

BT's only formal comment is that it is "keeping business options under review" and "ruling nothing out". One option might be the acquisition of Thomson, the UK's second-largest directories business.

Yellow Pages directories are printed by RR Donnelley's plant at Flaxby Moor near Harrogate, which declined to say whether or not it would print any rival directory from BT. The directories are being printed in full colour for the first time ever this year, thanks to new MAN Roland Uniset presses.

In the US meanwhile, the yellow pages business of Qwest Communications International is up for sale, attracting interest from a number of private equity firms. RR Donnelley had been reported in the US press as another bidder, though it later emerged that the suitor is RH Donnelley, an unrelated company.

Yell had already bought the market leader Yellow Book in 1999 and last year McLeod USA, another US directory publisher.

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In brief
- BT rethinks directories
- Printed products more resilient
- Yell turnover rises 4.4%

KBA sees order shortfall

By Gareth Ward

KBA is staring at a one third fall in the volume of orders at the end of the first three months of the financial year, even though sales at €299.7m were 15% higher than at the same position in 2001.

The figures would have been boosted by an order from Switzerland for KBA's first six plates wide Commander newspaper press, but the order was signed after the close of the period.

Sheetfed sales, despite a major fall in the key US market, remained buoyant with new orders exceeding the industry average with double digit growth.

According to president Reinhart Siewert, orders for sheetfed presses have been increasing since November last year while the market for web offset machinery remains depressed due to over-capacity in the market.

However, with orders worth €644.1m in hand, the production lines will continue to be busy for the rest of the year.

The company is projecting that revenues for the end of the year will reach €1.25bn resulting in pretax earnings of around €50m, slightly down as a result of the merger of Karat Digital Press into the group figures and an increase in write offs.

The remaining 1% stake held by Scitex was transferred to KBA on the opening day of Ipex.

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In brief
- Swings and roundabouts for KBA
- Order volumes down, sales up
- Production lines still busy

Wyndeham sells Riverside Packaging

Wyndeham Press Group has sold the freehold of its Riverside Packaging plant in Newbury for £3.7m, three times the book value of £1.3m.

Riverside will still operate from the site on a leasehold basis, but "will more than likely move in the longer term" says managing director Barry Jackson. "This shows that Wyndeham is more interested in the printing business than owning land. The site is bigger than we need and is just about the only Wyndeham plant we still own the freehold of," he adds.

Wyndeham says the proceeds will reduce debt, but Mr Jackson adds that it could help fund a new tranche of capital investment for Riverside.

Blazepoint buying

Blazepoint Group, the supplier of ticket printing systems, is on the lookout for acquisitions and says it will still make a profit in the full year despite a loss of £478,000 in the six months to February 28. Blazepoint, a PLC with market value of £3.2m since it listed on the AIM last July, says it may acquire private firms larger than itself.

HP sources savings

Hewlett Packard says it will save even more money than originally thought following its takeover of Compaq in May. Savings are expected to reach $3bn by 2004, not $2.5bn, and 10% of employees in the two companies will be offered redundancy or early retirement. The cuts have been made deeper because of a continued decline in IT spending.

Dawson disposes

Dawson Holdings, the logistics and distribution company that owns Surridge Dawson, is selling off its printing, in-flight magazine and holiday brochure businesses, part of Dawson Marketing Services. The decision is due to a big cut in volumes since September 11 2001.

AOT bounces back with rise

Applied Optical Technologies, which last year lost out on the chance to produce holograms for the euro because of technical problems, may have started to bounce back.

Sales in the year to March 31 rose 7% from £28.6m to £30.6m, and the company made an operating profit of £400,000 compared to a loss of £1.5m a year ago. After exceptionals, the company made an annual loss of £8.3m but this was half the £16.2m loss sustained last year.

Although European Central Bank accreditation was only finally achieved in February and AOT has only had small batches of euro work since, banknote work has grown by 9% in the last year thanks to other markets beyond Europe being tapped. AOT is now able to produce euro holograms at last.

Six months ago AOT announced a first half loss of £1.3m and cut another 25 jobs at its Washington plant. In total, the UK workforce has been cut by 30% in the last year.

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Circulation revenue up

Newspaper publishing is looking up with a rise in circulation and ad revenue now clear, and newsprint prices now falling, according to Independent News and Media's chairman Sir Tony O'Reilly. Although ad revenue in the first quarter of 2002 is down on the previous year, it is currently showing "some vitality" and circulation revenue is up across the board.

The group is "cautiously optimistic" that 2002 profits will be higher than 2001, Sir Tony told IN&M's AGM. IN&M's results, out last April, show that circulation revenue rose 7.2% in 2001, and operating profit was static at €218.4m, but only €3.1m after exceptional costs.

Sir Tony also paid tribute to the group's new CityWest print plant in Dublin, which enables an image of an Irish goal being scored to appear on page within five minutes. "It is hoped that our World Cup progress will require this service," he joked.

Revisions to flotation

By Alex Grant

Printcafe has halved estimates of the amount of money it will raise through its flotation, despite increasing the prices of shares from $7-9 to $9-11.

The software and online print buying company now only expects to raise $35m by floating, not $75m. It has cut the number of shares it will sell by a half to 3,750,000.

The company's first-quarter results show that sales are up 22.5% from $9m to $11.7m. Net losses have fallen 55% year-on-year from $18.6m to $8.3m, and operating expenses are down 30% from $25m to $17m.

The results are aimed at whetting the appetite of investors. But as *Printing World* went to press no firm date had yet been fixed for the flotation, which will mean Printcafe will be listed on the Nasdaq with the symbol PCAF, and have a market capitalisation of about $200m. It had first planned to float last June and tried again in February before withdrawing.

If the float is postponed Printcafe will need to raise more money from private investors, which include Creo. "We should be floating any day now," says a Printcafe source. "It's just up to our underwriters to decide the time is right."

● Kinko's, the US quickprinter chain which has several London outlets, is under pressure for not going public yet. Kinko's founder Paul Orfalea is demanding that buyout firm Clayton, Dubilier and Rice, which is Kinko's largest shareholder, should either go public as promised or buy out his 15% stake. Like Printcafe and other companies, the end of the late 1990s bull market has led Kinko's to postpone indefinitely its plans to go public.

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In brief

- Printcafe revises flotation
- Revenue estimates halved
- $75m down to $35m

Recovery revenues may falter says DMGT

Daily Mail and General Trust claims the recovery in ad revenues may have faltered, saying that while sales rose in March they have fallen since.

DMGT made a pre-tax profit of £65m in the six months to March 31, a fall of 9% but not as low as some had feared.

Associated Newspapers found that an increase in the cover price of the *Daily Mail* and *Mail on Sunday*, and slight circulation rises, offset a drop in advertising income. Northcliffe Newspapers, DMGT's local newspaper arm, saw a 13% cut in profits however, partly due to a fall in contract printing work, whose profits fell £2m. Luckily, this has coincided with a fall in print capacity due to the installation of new Goss presses at its Midlands plants in Stoke on Trent and Derby.

DMGT says it wants to expand its radio interests in Australia by buying 25% of GWR's interests there.

legal notices

Compulsory winding up

The following case is due to be heard at Birmingham District Registry, Priory Courts, 33 Bull Street, Birmingham

Tennysons Colour Printers Ltd Hightree, 41 Hillside, Banstead, Surrey SM7 1HG on June 18 at 10.30am. Petition by Europower Direct Ltd

Appointment of liquidators

Public Sector Information Ltd Magazine publishers. Liquidator: AH Tomlinson, Tomlinsons, St John's Court, 72 Gartside Street, Manchester M3 3EL

DC Design & Advertising Ltd Graphic design. Liquidator: TCH Ball, Mazars Neville Russell, Clifton Down House, Beaufort Buildings, Clifton Down, Clifton, Bristol BS8 4AN

Aero-Print Ltd Security printing of airline tickets and wallets. Liquidators: AD Allen, BDO Stoy Hayward, Garrick House, 76-80 High Street, Old Fletton, Peterborough PE2 8ST and SJ Michaels, BDO Stoy Hayward, 8 Baker Street, London W1U 3LL

3D 4D Holographics Ltd Holographic and lenticular services. Liquidator: RH Toone and PM Davis, Begbies Traynor, 1 & 2 Raymond Buildings, Gray's Inn, London WC1R 5NR

Appointment of receivers

Maddox Publishing Ltd Publishing of newspapers. Receiver: CM Iacovides, Jeffreys Henry Jacobs, Fergusson House, 124-128 City Road, London EC1V 2NJ

Notices to creditors

The Printing Press (UK) Ltd Creditors to send claims to MC Armstrong, Turpin Barker Armstrong, Allen House, 1 Westmead Road, Sutton, Surrey by July 1

The Codicote Press Ltd at The Angel Room, The Sun Hotel, Sun Street, Hitchin, Hertfordshire SG5 1AF on June 6

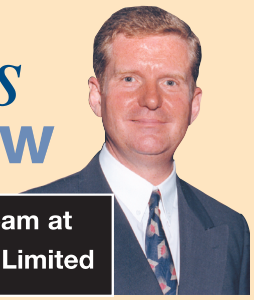
Final meetings

Vaughan Print Ltd at Sale Smith & Co, Carmella House, 3 & 4 Grove Terrace, Walsall, West Midlands WS1 2NE on July 5 at 3pm for members and at 3.30pm for creditors

The Oak Leaf Press Ltd at Poppleton & Appleby, 141 Great Charles Street, Birmingham B33LG on June 25 at 2.30pm for members and at 2.45pm for creditors

IC Holographic Ltd at Numerica, 4th Floor, Southfield House, 11 Liverpool Gardens, Worthing, West Sussex BN11 1RY on July 19 at 10am for members and at 10.15am for creditors

Business GROW-HOW



From Paul Holohan & the team at Richmond Capital Partners Limited

Business ADVICE

MORE OR LESS

I am Managing Director of a B1 litho-printing firm with a turnover of about £6 million. My accountant thinks that we should cut back on our costs - including marketing. Our sales are behind target so my inclination is to spend more on marketing not less. What do you think?

During times of economic instability marketing budgets are often an easy target and the first to suffer cutbacks. This is due partly to the fact that the benefits gained can be difficult to quantify and attribute directly to successful marketing activity. Cutting back on marketing expenditure is a relatively easy way of getting a reprieve for management and has an immediate effect on the bottom line.

Reducing the marketing budget is commonly the result of a lack of understanding of what marketing seeks to achieve and its contribution to the bottom line.

All too often print firms think that hiring extra salespeople or cutting prices are the only 2 methods of growing sales. **Wrong!**

Recent research involving 183 companies who had experienced poor market conditions confirms that fortune favours the brave. Those businesses that increased spend on marketing were significantly more profitable than those who cut or maintained it.

They also increased market share nearly three times faster when market recovery set in!

The German marketing model supports focus on market share and customer retention during tough market conditions. This will stand you in good stead when the market recovers as the size of the whole 'cake' increases.

Of course 'marketing' embraces other issues such as innovation and the introduction of new products and services. Spending money on good research now can also pay dividends later.

Make every pound of your marketing spend work harder by reassessing your marketing activities. Call in a professional marketer with industry experience to help you.

Look for measurable results and accountability but do not overlook the intangible benefits such as 'awareness', image and perceptions in areas such as quality.

The question of growing sales in a worsening economic climate is the single most common problem that we see.

Invariably those printing firms with a clear strategy focused on both efficient production and marketing are winning.

Good marketing!

The author accepts no legal responsibility for the advice given. Comments and advice given in this column do not necessarily represent the views of Printing World.